

# Beware of Greeks Bearing Secrets

A fugitive executive's threat to blow the whistle puts a big defense contractor and the U.S. Navy on edge.

The first thing people remember about Panagiotis Takis Veliotis is his commanding presence. Recently promoted to executive vice president of General Dynamics Corp., Veliotis supervised some of the nation's most secret shipbuilding programs, including the SSN 688-class attack submarine and the Trident ballistic sub, a vital weapon in the nation's strategic arsenal. "He was like an actor on the stage," recalls a former acquaintance. But by the spring of 1982, Veliotis seemed to have lost much of his former self-confidence. According to General Dynamics chairman David Lewis, he complained that he was tired and ill and that he was thinking of retiring. That was the last time that Lewis ever spoke with him. Several weeks later, Veliotis fled to Greece, a fugitive from a federal grand jury.

Veliotis had been called to testify on the alleged looting of Frigitemp Corp., an important General Dynamics subcontractor that filed for bankruptcy in March 1978. Veliotis and a close associate were indicted last September on charges of receiving \$2.7 million in kickbacks in return for awarding Frigitemp some \$44 million in shipbuilding contracts. Although probably safe from extradition, Veliotis is not taking his troubles lightly. Since shortly before his indictment, the executive's lawyers had offered federal prosecutors an intriguing deal: in return for immunity or special treatment, Veliotis would provide evidence that General Dynamics had falsified many of the claims it presented to the Navy for \$843 million in reimbursement for cost overruns incurred in the construction of attack submarines. Federal authorities are skeptical that Veliotis really has the goods, but, says a lawyer involved in the case, "if he can back up his story, Takis Veliotis would do for federal weapons procurement what John Dean did to the Nixon cover-up."

More alarming are the rumors that Veliotis threatened to provide the Soviet Union with some of the most sensitive secrets of the U.S. submarine fleet. Besides supervising

the construction of the SSN 688 and the Trident submarines, he had clearance to receive top-secret information. Sources close to the fugitive deny that he has ever made any such threat, but NEWSWEEK has learned that both General Dynamics and the Navy have investigated whether Veliotis ever obtained information about submarine nuclear systems or the "acoustics" that permit them to run silently to evade Soviet hunters. There is no direct evidence he did, but intelligence agents are watching him closely. Says a senior Navy official, "we can't rule out the possibility that he still may have agents in the construction process or that he may have stolen some documents."

In a statement issued by his Greek lawyer, Veliotis claimed that in February 1982 he had attempted to resign his position at General Dynamics because of disagreements over several military contracts, including nuclear submarines and the Toma-

hawk cruise missile, and the international marketing of F-16 fighter jets. But despite his resignation, he asserted, he was reappointed to the General Dynamics board in May, although he refused to attend any meetings. In addition, he claimed, his relations with General Dynamics were "aggravated" when in early 1983 he and a group of investors—including the E.F. Hutton Co.—planned to gain control of the company. (An E.F. Hutton spokesman confirms that Veliotis had a single conversation with the firm, but insists that nothing came

of it.) Since that time, Veliotis has complained, "General Dynamics has intensified its malicious claim campaign against [me]."

Whatever the truth of the matter, the case is already a major embarrassment to both General Dynamics and the Navy. In order to obtain his sensitive "Q" security classification, Veliotis should have been subjected to a rigorous investigation; recently, though, significant questions have been raised about his background. In addition, General Dynamics entrusted the executive

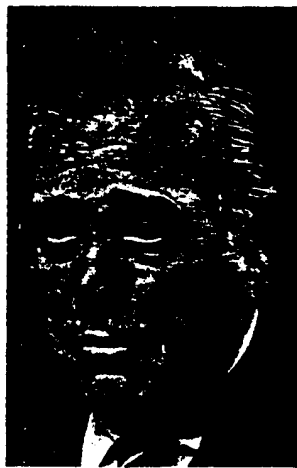
with some of the nation's most important defense projects even though he was known to be the subject of a grand-jury investigation. Federal investigators are looking into the possibility that Veliotis may have received kickbacks from other subcontractors, and the entire matter is likely to receive intense scrutiny on Capitol Hill.

**Imperious:** By every measure, Takis Veliotis is an imposing character—6 feet 3 inches tall, cold, imperious and demanding. According to his own account, he was born in Greece on Aug. 11, 1926, but he also claims to have served as an officer in the Royal Hellenic Navy during World War II—a time when he presumably was in his teens. His listing in Who's Who indicates that he has a bachelor's degree from St. Paul's College in Greece, did postgraduate work at the National University of Athens, was awarded a degree in engineering at the Greek Royal Naval Academy and received an honorary doctorate in science from the National University of San Diego. Yet according to his records at General Dynamics, Veliotis had received only an engineering degree from the University of Athens and another from the Laval Technical School of Canada—an institution that Canadian education officials have never heard of. And despite his claims to educational attainment, he started work as a maritime draftsman only when he emigrated to Canada in 1953. He must have been talented, though, for by 1962 he had risen to become director and general manager of Davie Shipbuilding Ltd., of Quebec, a

major builder of oceangoing cargo vessels.

In 1972, while Veliotis was running Davie, General Dynamics had just received a contract to build 10 new liquefied-natural-gas vessels. General Dynamics had hoped to build the giant tankers that were then being commissioned to reduce the cost of carrying Arabian crude oil from the Persian Gulf. However, that business fell through in the wake of the Arab-oil embargo, leading General Dynamics to concentrate on the construction of the mammoth LNG carriers, designed to transport gas from Indonesia to Japan. But who would run the operation? LNG carriers are immensely complex vessels, and the Quincy yard was plagued by disorganized and outdated construction methods. According to Lewis, a letter from a former chief of U.S. naval operations directed General Dynamics to Canada where Veliotis and three close associates had been doing an impressive job. After examining Davie's records and references, General Dynamics hired the team to manage the Quincy yard.

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Bryce Flynn—Picture Group

Veliotis: On the run